



PB98-177488

MONTH IN REVIEW: APRIL 1998

Reports, Testimony, Correspondence, and Other Publications

Highlights

Consolidated Financial Statements Audit

For the first time, the federal government has prepared consolidated financial statements and submitted them to GAO for an independent audit. Because significant financial systems weaknesses, poor records, and weak internal controls prevented the government from accurately reporting assets, liabilities, and costs, GAO could not render an opinion on the consolidated statements. Page 11.

Telephone Slamming

Telephone slamming—the unauthorized switching of a customer from one long-distance carrier to another—is a growing problem; GAO found one individual who apparently slammed more than 500,000 consumers. In assessing the problem, GAO found that the antislamming measures of the Federal Communications Commission effectively do little to protect consumers. Page 23.

Social Security Financing

Investing Social Security funds in the stock market has been proposed as a way to fix the program's anticipated financial shortfall. Such investments offer the prospect of higher returns, but at greater risk. Although stock investing will not solve the program's long-term financial imbalance, it could reduce the size of other reforms needed to restore solvency. Page 21.

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Agriculture and Food

Dairy Industry: Information on Marketing Channels and Prices for Fluid Milk

GAO/RCED-98-70, Mar. 16 (64 pages).

About one-third of the 18 billion gallons of milk produced by U.S. dairy farms each year is processed into fluid drinking milk. Fluid milk moves from the farm to the retail state through several pathways, and several entities are involved in its processing or marketing. These entities include dairy cooperative organizations, retail food chains that have their own dairy-processing operations, firms with multiple bottling plants, and firms with a single bottling plant. This report (1) provides information on the entities that handle fluid milk from the time it leaves the farm to the time it is sold to the customer, including regional variations, and (2) updates GAO's August 1991 report (GAO/RCED-91-187FS) on prices for dairy and other foods at various market levels nationally and in certain urban markets across the country.

Food Safety: Agencies' Handling of a Dioxin Incident Caused Hardships for Some Producers and Processors

GAO/RCED-98-104, Apr. 10 (19 pages).

In May 1997, the Environmental Protection Agency (EPA) discovered elevated levels of dioxin in poultry samples it analyzed as part of a reassessment of the health risks of dioxin. This discovery triggered a joint investigation by EPA, the Food Safety and Inspection Service (FSIS), and the Food and Drug Administration (FDA) to pinpoint the source of the contamination. The agencies traced the contamination to feed distributed to poultry, fish, hog, and cattle producers in several southern and southwestern states. At that point, FDA halted the distribution of the contaminated feed and requested that the feed be disposed of by those holding it. Later, FDA and FSIS required that the affected food products be tested to show that they did not contain elevated dioxin levels. By September 1997, FDA and FSIS had determined that all the food products derived from the animals that had eaten the contaminated feed had only background levels of dioxin and approved them for commercial distribution. However, large and small producers as well as state health officials questioned whether the levels at which dioxin was found in food warranted the action taken. Producers and state officials also reported that the agencies sometimes issued multiple and unclear directives,

leading to confusion over the actions that producers were to take. This report determines (1) the basis for the federal agencies' decisions to require producers to demonstrate that their food products did not contain unacceptable levels of dioxin; (2) federal agencies' effectiveness in working together to make decisions to address the problem of dioxin-contaminated feed and in communicating their decisions to state agencies, producers, and processors; and (3) the impact of the food safety system on the handling of this dioxin incident.

**Farm Programs:
Administrative Requirements Reduced and Further Program
Delivery Changes Possible**

GAO/RCED-98-98, Apr. 20 (19 pages).

The Federal Agriculture Improvement and Reform Act of 1996 significantly changed many of the Agriculture Department's farm programs. The most far-reaching change concerned the federal government's support for the production of major crops, such as wheat, feed grains, cotton, and rice. The act discontinued the complex programs in which farmers received payments in exchange for accepting federal controls over crops and the amount of acreage they could put into production. Farmers now sign up once to receive annual payments established in production contracts and generally can plant whatever crops they choose. GAO found that farmers are spending less time on administrative requirements than they did before the 1996 act. The number of required visits to county offices has declined, as has the amount of time spent on paperwork. The Farm Service Agency could transact more business with farmers through the mail and by telephone and computer, however, thus increasing the efficiency of its operations. Using alternative delivery methods could allow the Agriculture Department to operate with fewer staff and offices, which could save millions of dollars. At the same time, changing delivery methods would reduce farmers' personal contact with county office staff and place greater responsibility on farmers to complete and submit paperwork in a timely fashion.

**Commodity Credit Corporation:
Information on the Availability, Use, and Management of Funds**

GAO/RCED-98-114, Apr. 28 (40 pages).

As the federal government's financing arm for an array of domestic and international agricultural programs, the government-owned and -operated Commodity Credit Corporation (CCC) finances an array of income and commodity support programs through direct payments and loans. These programs assist producers in the production and marketing of agricultural commodities, such as feed grains, wheat, rice, and cotton. In addition, CCC's mission has expanded in recent years to include the financing of a range of commodity export, resource conservation, and disaster assistance programs. These programs are intended to enhance the price competitiveness of U.S. commodities in foreign markets, help producers implement conservation practices on their farms, and indemnify producers for crop or livestock losses resulting from weather-related disasters and pest infestations. This report provides information on (1) how much money CCC had available and spent in fiscal years 1996 and 1997, including the sources of these funds and the programs and activities for which they were used; (2) what management practices are used to control CCC funds; and (3) whether CCC's funding for administrative purposes, such as the purchase of computer and telecommunications equipment, fell within statutory funding caps in fiscal years 1996 and 1997 and whether the programs CCC funded had a statutory basis for using CCC funds.

**Crop Revenue Insurance:
Problems With New Plans Need to Be Addressed**

GAO/RCED-98-111, Apr. 29 (77 pages).

Farming is an inherently risky enterprise. Over the years, the federal government has played an active role in helping to mitigate the effects of production and price risks on farm income. A new tool—crop revenue insurance—has been introduced to help farmers manage their risks. Three federally subsidized crop revenue insurance plans—Crop Revenue Coverage, Revenue Assurance, and Income Protection—are now being sold to farmers in various parts of the country. The plans protect farmers from the effect of declines in either crop prices or yields by guaranteeing an agreed-upon level of revenue. In light of the rapid expansion of the new crop revenue insurance plans and the government's significant financial participation in them, this report (1) identifies the differences between the three new revenue insurance plans, (2) reports on the plans' sales and claims experience, and (3) analyzes the methodologies used to set the plans' premium rates.

Budget and Spending

Compendium of Budget Accounts: Fiscal Year 1999

GAO/AIMD-98-115, Apr. 1998 (112 pages).

Each year, the President is required by law to submit a budget to Congress. In effect, the President's budget analyzes and compiles separate presentations for hundreds of budget accounts, covering all fiscal activities of the federal government, including such "off-budget" accounts as the Social Security Trust Funds and the Postal Service Fund. The budget contains a wealth of information presented in a daunting array of schedules, tables, graphs, and narrative summaries. The comprehensiveness of the President's budget is its main strength, but it also accounts for its most obvious weaknesses—its sheer size and complexity. For example, for fiscal year 1999, the President's budget spanned five volumes and more than 2,500 pages. This compendium provides users with a convenient way to sort through the fiscal structure of the federal government and to determine the level of budgetary resources—used, estimated, or requested by fiscal year—for individual accounts.

Impoundment Reviews: Proposed Deferrals of International Security, Disaster, and Refugee Assistance and SSA Administrative Funds

GAO/OGC-98-35, Apr. 3 (three pages).

On February 3, 1998, the President submitted to Congress his first special impoundment message for fiscal year 1998. The message reports eight deferrals of budget authority. GAO reviewed the deferrals and found them to be in accordance with the Impoundment Control Act.

Testimony

Budget Issues: Budgeting for Federal Insurance Programs, by Susan J. Irving, Associate Director for Budget Issues, before the Budget Task Force, House Committee on the Budget. GAO/T-AIMD-98-147, Apr. 23 (17 pages).

This testimony discusses an idea that, in GAO's view, is clearly worth exploring as a way to improve information and incentives for budget decision-making. GAO discusses (1) accrual budgeting and its specific application to budgeting for insurance programs and (2) budget

reporting—the current cash-based reporting and a different reporting basis, accrual-based reporting.

Civil Rights

Testimony

Indian Issues: BIA's Distribution of Tribal Priority Allocations, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-98-168, Apr. 21 (13 pages).

The Bureau of Indian Affairs (BIA) began efforts that evolved into the Tribal Priority Allocation (TPA) in the early 1970s. The goal was to give tribes an opportunity to set priorities and allocate funds for those activities that they wanted to fund, in consultation with BIA. This report discusses (1) BIA's basis for distributing 1998 TPA funds; (2) total distributions of TPA funds in fiscal year 1998 and a per capita analysis of those distributions; (3) revenue and business income information reported by tribes under the Single Audit Act; and (4) what additional revenue and income information might be useful to Congress in deciding whether to distribute TPA funds, considering the total financial resources available to tribes, including possible barriers to collecting this information.

Education

Student Loans:

Characteristics of Students and Default Rates at Historically Black Colleges and Universities

GAO/HEHS-98-90, Apr. 9 (34 pages).

During the past decade, a growing body of research has established that various measures of students' academic preparation and socioeconomic status predict how likely students are to default on their loans. In general, default rates tend to be higher among students who are not as well prepared academically or others whose families are not as well off economically. This report, which discusses default rates at historically black colleges and universities, answers the following questions: How do freshman at these institutions compare with those at all colleges and universities in terms of the academic and socioeconomic characteristics that have been linked to student loan defaults? Among four-year

historically black colleges and universities, how do such characteristics for undergraduate students differ at schools with higher default rates compared with schools with lower default rates? What measures has the Department of Education taken or planned to help historically black colleges and universities reduce their student loan default rates? How many historically black colleges and universities are at risk of losing title IV student loan eligibility because of high default rates in 1993-95, and how many of these were potentially at risk in 1988-90? What measures have these institutions taken to reduce or minimize their student loan default rates?

**Direct Student Loans:
Efforts to Resolve Lenders' Problems With Consolidations Are Under Way**

GAO/HEHS-98-103, Apr. 21 (33 pages).

The consolidation of student loans allows borrowers to combine separate loans, including those made under the Federal Direct Loan Program (FDLP) and those guaranteed under the Federal Family Education Loan Program (FFELP), into a single new loan. Consolidation loans allow borrowers to extend their repayment periods and make single monthly payments that are lower than the total of payments on their loans if made separately. The FDLP consolidation process was plagued by problems that led to a three-month shutdown during which new applications were not being accepted. In the FDLP consolidation process, if any FFELP loans are among those being consolidated, the federal government, through its contractor Electronic Data Systems (EDS), pays off lenders for the borrower's underlying loans and makes a new consolidation loan to the borrower. Some of the program's problems affected FFELP lenders, who (1) were required to complete a loan verification certificate and send it to EDS, to verify the accuracy of borrowers' loan amounts to be consolidated, and (2) were then paid the amount due on these loans by EDS. Some lenders complained that EDS' and the Education Department's handling of this process was prone to error and problematic for them. This report answers the following questions: What are the nature and the source of problems that FFELP lenders have encountered in the direct loan consolidation program? How have these problems affected lenders? What steps are Education and EDS taking to correct these problems?

Testimony

Individuals With Disabilities Education Act: School Districts' Response to Regulatory Deadline, by Cornelia M. Blanchette, Associate Director for Education and Employment Issues, before the Senate Committee on Labor and Human Resources and the House Committee on Education and the Workforce. GAO/T-HEHS-98-156, Apr. 22 (two pages).

In October 1997, the Department of Education issued proposed regulations to implement the 1997 amendments to the Individuals With Disabilities Education Act. The 1997 amendments made several changes to the individualized education programs (IEP)—a written statement that describes the child's educational performance, the goals for the child in the coming year, and the special education and support services that the child will receive to help meet those goals. The 1997 amendments required the participation of regular education teachers in developing the IEPs, beginning to plan for transition services when students reach age 14, and considering specific services, such as assistive technology. To ensure that all disabled students reaped the benefits of this new process as soon as possible, school districts were required to update all students' IEPs to comply with the new requirements by July 1, 1998. In interviews with GAO, school district officials cited three major concerns about the July 1 deadline: (1) confusion because school districts had begun to implement the new IEP requirement without final federal and state regulations; (2) logistical challenges arising from the need to revise many IEPs within a short time period; and (3) concerns about the quality of the IEP process if it was done too quickly. GAO concludes that implementing these requirements within the proposed time frame may make it challenging for school districts to develop IEPs that are truly tailored to each student's needs with the resources available.

Employment

Testimony

Information Technology: Assessment of the Commerce Department's Report on Worker Demand and Supply, by Carlotta C. Joyner, Director of Education and Employment Issues, before the Subcommittee on Immigration and Claims, House Committee on the Judiciary. GAO/T-HEHS-98-144, Apr. 21 (12 pages).

Industry reports and various newspaper and magazine articles have predicted that severe shortages of information technology workers could

have a crippling effect on the growth of the economy. The Commerce Department prepared a report intended to bring attention to the issue and to encourage stakeholders to examine the potential shortages and to take the steps needed to avoid them. This testimony discusses GAO's recent report (GAO/HEHS-98-106, Mar. 1998) on the Commerce Department's analysis of the supply and demand for information technology workers and its conclusion that a shortage of such workers exists in the United States.

Energy

Federal Power:

Options for Selected Power Marketing Administrations' Role in a Changing Electricity Industry

GAO/RCED-98-43, Mar. 6 (164 pages).

From the early part of this century through 1996, the federal agencies that generate and market electricity and that make or guarantee loans to finance improvements to electricity systems incurred \$84 billion in debt. Like the other federal agencies, the Southeastern, Southwestern, and Western Area power administrations—responsible for \$7 billion of this debt—face an uncertain future as electricity markets restructure. This report, which focuses on these three power marketing administrations, (1) examines whether the government operates them and the related electric power assets in a businesslike manner that recovers the federal government's capital investment in those assets and the costs of operating and maintaining them and (2) identifies options that Congress and other policymakers can pursue to address concerns about the role of the three power marketing administrations in emerging restructured markets or to manage them in a more businesslike fashion. This report also provides information on the Tennessee Valley Authority, the Rural Utilities Service, and the Bonneville Power Administration.

Nuclear Weapons:

Design Reviews of DOE's Tritium Extraction Facility

GAO/RCED-98-75, Mar. 31 (17 pages).

The Energy Department (DOE) is responsible for managing the nation's nuclear weapons stockpile, including providing tritium, a gas used to enhance the explosive power of nuclear weapons in the nation's stockpile. Because tritium decays, it has to be periodically replaced in weapons, but DOE has not produced tritium since 1988 and currently has no production

capacity. DOE is using tritium removed from dismantled weapons to replace decayed tritium in active weapons. That supply is limited, however, and new tritium capacity will be needed by 2005. DOE plans to build a tritium extraction facility at its Savannah River Site in South Carolina. The \$383 million project is scheduled for completion in 2005. During 1997, DOE completed the project's conceptual design report and began the preliminary design for the project. Three different teams reviewed the conceptual design and related documents. This report provides information on (1) the major comments raised by the three reviews and (2) the process used by DOE to respond to those comments.

**Department of Energy:
Proposed Budget in Support of the President's Climate Change
Technology Initiative**

GAO/RCED-98-147, Apr. 10 (58 pages).

In his State of the Union address, the President noted that the United States has agreed with other nations to reduce its greenhouse gas emissions through market forces, new technologies, and energy efficiency. The President has proposed spending \$6.3 billion during the next five years for the Climate Change Technology Initiative, which would fund research and development and the deployment of new technologies to reduce the amount of carbon dioxide emitted into the atmosphere. The Energy Department (DOE) is expected to undertake most of this initiative. This report provides (1) information on how DOE plans to alter its climate change research and development spending from fiscal year 1998 to fiscal year 1999 and (2) GAO's observations on funding for research and development.

**Results Act:
DOE Can Improve Linkages Among Plans and Between Resources
and Performance**

GAO/RCED-98-94, Apr. 14 (40 pages).

The Government Performance and Results Act is intended to improve the efficiency and effectiveness of federal programs by requiring each agency to establish performance measurement systems that include strategic plans, annual performance plans, and annual reports on its programs' performance. Since the Results Act was passed, the Energy Department has taken several steps, including the development of a strategic

management system to align its planning, budgeting, and evaluation processes and the adoption of performance-based management contracts as a way to manage the work at its facilities. This report reviews DOE's early efforts to implement the act. GAO evaluates how well (1) DOE's program and field units linked their subordinate plans to the departmental strategic plan and (2) DOE linked the goals of its strategic plan to its annual performance plan and the goals for its performance-based management and operating contracts.

Environmental Protection

Superfund: EPA's Use of Funds for Brownfield Revitalization

GAO/RCED-98-87, Mar. 19 (28 pages).

Federal, state, and local governments have focused much attention on the cleanup and economic redevelopment of abandoned urban properties, known as "brownfields," that have real or perceived chemical contamination. Because of the potential expense to clean up contaminated sites in accordance with federal and state environmental laws, businesses have often chosen to locate on uncontaminated sites outside of urban areas, costing cities tax revenues and job opportunities. This report discusses the activities that the Environmental Protection Agency (EPA) has supported with funds targeted for brownfields in its budgets for fiscal years 1997 and 1998. GAO focuses on two program categories of brownfield expenditures—the outreach, technical assistance, and research category and the job training category—because they are not as directly related to assessing sites for the extent of contamination present, a key first step toward cleanup, as the other program categories. GAO identifies any grants and agreements that EPA has awarded since fiscal year 1993—the first year the agency began its brownfield efforts—to determine (1) the criteria and process EPA used to award these grants and agreements, (2) the uses that recipients made of these funds, and (3) the monitoring and oversight EPA provided for them.

Financial Management

Financial Audit: 1997 Consolidated Financial Statements of the United States Government

GAO/AIMD-98-127, Mar. 31 (66 pages).

For the first time ever, the federal government has prepared consolidated financial statements. In accordance with the Chief Financial Officers Act, consolidated financial statements for fiscal year 1997 were prepared by the Treasury Department and audited by GAO. GAO found significant financial systems weaknesses, recordkeeping problems, incomplete documentation, and weak internal controls, all of which prevented the government from accurately reporting a large portion of its assets, liabilities, and costs. These deficiencies affect the reliability of the consolidated financial statements and much of the underlying financial information. They also affect the government's ability to accurately measure the full cost and financial performance of programs, effectively and efficiently manage its operations, and ensure compliance with laws and regulations. Among other things, the government could not properly account for billions of dollars worth of property, equipment, and materials; properly estimate the cost of most federal credit programs; determine the proper amount of reported liabilities, from postretirement health benefits for military and civilian employees to veterans compensation benefits; or determine the full extent of improper payments in major programs that are estimated to involve billions of dollars annually. These shortcomings prevented GAO from rendering an opinion on the reliability of the consolidated financial statements. Considerable effort is underway to address these problems. GAO believes that, with a concerted effort, the federal government, as a whole, can continue to make progress toward generating reliable information on a regular basis. Annual financial statement audits are essential to ensuring the effectiveness of the improvements now ongoing. GAO summarized this report in testimony before Congress; see:

U.S. Government Financial Statements: Results of GAO's Fiscal Year 1997 Audit, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD-98-128, Apr. 1 (14 pages).

**Financial Management:
Profile of Navy and Marine Corps Financial Managers**

GAO/AIMD-98-86, Apr. 15 (84 pages).

One of the greatest challenges to improving financial management throughout the Defense Department (DOD) is establishing a well-qualified, professional financial management workforce. This is the fourth in a series of reports on the qualifications, such as formal education, training,

professional certifications, and work experience, of DOD's financial management workforce. It contains information on key financial managers in the Navy.

Testimony

Internal Control: Essential for Safeguarding Assets, Compliance With Laws and Regulations, and Reliable Financial Reporting, by Robert A. Gramling, Director of Corporate Audits and Standards, before the Subcommittee on Oversight and Investigations, House Committee on Commerce.
GAO/T-AIMD-98-125, Apr. 1 (25 pages).

The importance of internal controls cannot be overstated, especially in a large, complex organization like the federal government. Internal control is the first line of defense against waste, fraud, and abuse and helps agencies achieve their missions effectively and efficiently. This testimony answers the following three questions: (1) What is internal control? (2) Why is it important? and (3) What happens when it breaks down?

Internal Revenue Service: Remaining Challenges to Achieve Lasting Financial Management Improvements, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Issues, before the Subcommittee on Management, Information, and Technology, House Committee on Government Reform and Oversight.
GAO/T-AIMD/GGD-98-139, Apr. 15 (19 pages).

This report discusses the results of GAO's audit of the Internal Revenue Service's (IRS) fiscal year 1997 custodial financial statements, which report the assets, liabilities, and results of activities related to IRS' responsibilities for implementing federal tax legislation, such as collecting federal tax revenues, refunding overpayments, and pursuing collections of amounts owed. For the first time, GAO was able to conclude that IRS' custodial financial statements were reliable. However, IRS' internal controls continue to be plagued by weaknesses that affect its ability to report, in a timely fashion, reliable financial information throughout the year; safeguard assets from loss; and ensure full compliance with laws and regulations. These weaknesses fall into the following areas: unpaid assessments, receipts and refunds, revenue accounting and reporting, compliance with the Federal Financial Management Improvement Act, and computer security. This testimony also discusses (1) the importance of preparing IRS' automated systems for Year 2000 compliance and (2) the potential implications of the IRS Commissioner's restructuring proposal on the agency's financial operations.

Department of Defense: Financial Audits Highlight Continuing Challenges to Correct Serious Financial Management Problems, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD/NSIAD-98-158, Apr. 16 (37 pages).

Serious financial management problems continue to plague the Defense Department. Recent audits of the military's financial statements for fiscal year 1997 done by the DOD Inspector General and the service audit agencies, as well as GAO's audit of the U.S. government's financial statements, provide further evidence of the scope and magnitude of the Pentagon's problems. DOD cannot properly account for billions of dollars worth of property and equipment, estimate its costs to clean up contaminated military facilities and dispose of chemical weapons, determine its liability for the future cost of health care benefits for military retirees, or accurately report disbursements and account for basic transactions. These problems leave DOD highly vulnerable to the loss of assets and inefficient operations. Outlays for wasteful or inefficient operations also divert scarce resources from military priorities, such as weapon systems modernization and readiness. This testimony also discusses two key areas that will affect the ultimate resolution of these long-standing problems: financial management personnel training and financial systems improvement. GAO also touches on DOD's efforts to deal with the Year 2000 problem and steps needed to counter computer security threats.

Federal Inspectors General: An Historical Perspective, by David L. Clark, Director of Audit Oversight and Liaison Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD-98-146, Apr. 21 (nine pages).

Two decades ago, Congress created inspectors general (IG) throughout government as a result of mounting reports of serious and widespread breakdowns in internal controls. The IGs were principally charged with detecting fraud, waste, and mismanagement in agencies' programs and operations; conducting audits and investigations; and recommending policies to promote economy, efficiency, and effectiveness. This testimony discusses the evolution of the work of the IGs.

Financial Audits: American Battle Monuments Commission's Operations for Fiscal Year 1997, by David L. Clark, Director of Audit Oversight and Liaison Issues, before the Subcommittee on Benefits, House Committee on Veterans' Affairs. GAO/T-AIMD-98-151, Apr. 29 (five pages).

This testimony discusses recent GAO reports on the American Battle Monuments Commission's fiscal year 1997 financial statements. (See GAO/AIMD-98-81, Feb. 1998, GAO/AIMD-98-130R, Apr. 1998, and GAO/AIMD-98-129R, Apr. 1998). GAO (1) describes legislative initiatives in recent years to improve financial management across the federal government and how requirements for the Commission to produce audited financial statements fit into that larger context, (2) discusses its audit reports on the Commission's financial statements and its suggestions for improving Commission operations, and (3) shares its ideas for further enhancing the Commission's accountability.

Government Operations

U.S. Postal Service: Progress Made in Implementing Automated Letter Sequencing, but Some Issues Remain

GAO/GGD-98-73, Apr. 17 (66 pages).

This report provides information on the status of the U.S. Postal Service's efforts to launch Delivery Point Sequencing—the automated rather than manual sorting of letters in the exact order that carriers deliver them. Manual sorting of letters by carriers is one of the Postal Service's most costly letter distribution operations. GAO (1) determines the Postal Service's goals for Delivery Point Sequencing implementation, its projected letter carrier workhour savings, and the extent to which the Service has achieved these and (2) identifies any remaining issues that may affect the Service's ability to achieve its 1998 Delivery Point Sequencing goals, including any steps that the Postal Service has taken to address these issues.

Program Evaluation: Agencies Challenged by New Demand for Information on Program Results

GAO/GGD-98-53, Apr. 24 (48 pages).

Congress and federal agencies need evaluative information on how well programs are working, both to manage programs effectively and to help decide how to allocate limited federal resources. Federal agencies are the main source of evaluative information on their programs. In the past, GAO found limited—and diminishing—resources spent on formal studies of program results, that is, program evaluation. GAO raised the issue of how, given limited federal resources and responsibilities, agencies can support additional requests for program results information. This report discusses the current status of and future needs for program evaluation in federal agencies. GAO identifies (1) the current resources and roles for program evaluation in federal agencies, (2) the anticipated effects of governmentwide reforms and other initiatives on evaluation of federal programs, and (3) potential strategies for agencies to respond to the anticipated effects and provides information on program results.

Testimony

Bureau of Labor Statistics: Making the CPI More Reflective of Current Consumer Spending, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. GAO/T-GGD-98-115, Apr. 29 (26 pages).

The Consumer Price Index (CPI), a principal source of information on trends in consumer prices and inflation, affects nearly all Americans because of the many ways that it is used. For example, it is often used to increase wages and benefit payments to adjust for the erosion of consumer purchasing power because of inflation. In addition, federal tax brackets are adjusted automatically in response to changes in the CPI to prevent inflation-induced increases in tax rates. To gauge the level of inflation in consumer prices, the CPI tracks prices for a fixed “market basket” of goods and services that urban consumers purchase. This testimony discusses (1) the need for and advantages of more frequent updating of the CPI expenditure weights, (2) ongoing GAO work concerning the CPI, and (3) the Bureau of Labor Statistics’ coverage of CPI improvement efforts in its strategic plan and fiscal year 1999 annual performance plan.

Health

Food and Drug Administration: Improvements Needed in the Foreign Drug Inspection Program

GAO/HEHS-98-21, Mar. 17 (47 pages).

As much as 80 percent of bulk pharmaceutical chemicals used by U.S. manufacturers to produce prescription drugs is imported. Although the Food and Drug Administration (FDA) has taken steps to address problems with its foreign inspection program, it conducts infrequent inspections of foreign manufacturers to ensure that they comply with U.S. quality control standards. Routine surveillance inspections of foreign pharmaceutical manufacturers occur with far less frequency than the two-year interval required for domestic manufacturers. In China and India, for example, as long as five years has elapsed between FDA inspections of drug manufacturers. Moreover, FDA is still experiencing delays in taking enforcement action against foreign pharmaceutical manufacturers. In one case, FDA allowed a manufacturer in India to continue exporting its products to the United States despite an investigator's finding that the manufacturer could not adequately test for impurities in its product and water system. Nearly two years passed before FDA determined that enforcement action had never been taken against this manufacturer.

**Medicaid:
Demographics of Nonenrolled Children Suggest State
Outreach Strategies**

GAO/HEHS-98-93, Mar. 20 (44 pages).

Health insurance has become an increasingly important way to provide children with access to adequate health care. Yet in 1996, 10.6 million children were uninsured. Congress has sought to insure more children by committing more than \$20 billion to fund state expansions of children's health insurance—either through the Medicaid program or through insurance programs developed by the states. However, many uninsured children who are eligible for Medicaid are not enrolled. This report (1) examines the demographic and socioeconomic characteristics of children who qualify for Medicaid and identifies groups in which uninsured children are concentrated and to whom outreach efforts might be targeted; (2) determines the reasons these children are not enrolled in Medicaid; and (3) identifies strategies that states and communities are using to boost enrollment.

**Drug Abuse:
Research Shows Treatment Is Effective, but Benefits May
Be Overstated**

GAO/HEHS-98-72, Mar. 27 (40 pages).

Billions of dollars are spent each year to support treatment for drug abuse and related research. A large number of large, multisite, longitudinal studies provide evidence that drug abuse treatment is beneficial, but reliance on self-reported data may overstate treatment effectiveness. A large number of clients report reductions in drug use and criminal activity following treatment. The research evidence to support the relative effectiveness of specific treatment approaches or settings for particular groups of drug abusers is more varied. Methadone maintenance has been shown to be the most effective approach to treating heroin abusers. Research on the best treatment approach or setting for other groups of drug users, however, is less definitive. For cocaine abusers, no pharmacological treatment has been found, but several cognitive-behavioral treatments appear promising. A growing body of research examining treatment interventions for adolescents suggests that family-based therapy has potential.

Suicide Prevention:

Efforts to Increase Research and Education in Palliative Care

GAO/HEHS-98-128, Apr. 30 (27 pages).

Calls to legalize physician-assisted suicide reflect public concern that the current health care system does not adequately relieve suffering for people with certain medical problems. People suffering from terminal illnesses, chronic diseases, or disabilities may be especially vulnerable to suicide because their need or desire for palliative—or comfort—care may not be met in a health care system that stresses curative treatments. Palliative care embraces a range of approaches to manage the physical, psychological, social, and spiritual suffering that may accompany health conditions that do not respond to treatment. Its goal is to improve the quality of life for patients and their families by dealing with issues like depression and pain management. Concerned about the suicide rates among persons whose health problems are unresponsive to curative treatment, Congress has funded research into palliative care issues. This report discusses (1) the extent to which the physician training process currently teaches and tests student competency in palliative care issues, (2) the Department of Health and Human Services' plans to fund palliative care projects under section 781 of the Public Health Service Act, and (3) other federal and private palliative care research and education initiatives.

Testimony

Organ Donation: Assessing Performance of Organ Procurement Organizations, by Bernice Steinhardt, Director of Health Services Quality and Public Health Issues, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. GAO/T-HEHS-98-131, Apr. 8 (eight pages).

Although advancements in organ transplant technology have increased the number of patients who could benefit from transplants, the supply of organs has not kept pace, and the gap between transplant demand and organ supply continues to widen. GAO has issued several reports in recent years examining the equity of organ allocation decisions, variations in patient waiting times, and the lack of adequate measures to assess organ procurement effectiveness. Most recently, GAO examined the approaches for assessing the effectiveness of organ procurement organizations in increasing the organ supply. (See GAO/HEHS-98-26, Nov. 1997.) This testimony draws on that report and discusses (1) whether the current standard for assessing organ procurement organizations' effectiveness appropriately measures the extent to which they are maximizing their ability to identify, procure, and transplant organs and tissues and (2) alternatives to the current standard that could be more effective.

Housing

Single-Family Housing: Improvements Needed in HUD's Oversight of Property Management Contractors

GAO/RCED-98-65, Mar. 27 (38 pages).

The Department of Housing and Urban Development (HUD) lacks an adequate system to assess oversight of real estate asset management contractors, and the three HUD field offices GAO visited varied greatly in their efforts to monitor these contractors' performance. None of the offices adequately performed all of the functions needed to ensure that the contractors met their obligations to maintain and protect HUD-owned properties. GAO's physical inspection of properties for which the contractors in each location were responsible identified serious problems, including vandalism, deficient maintenance, and safety hazards. These conditions may decrease the marketability of HUD properties; decrease the value of surrounding homes; increase HUD's holding costs; and, in some cases, threaten the health and safety of neighbors and potential buyers. As part of HUD's effort to reduce its staff by 29 percent (from 10,500 to 7,500) by the year 2002, HUD's single-family property disposition

operations, including the real estate asset management function, are in a state of transition. Among other things, HUD plans to (1) reduce property disposition staff and consolidate all field offices' single-family housing operations into four homeownership centers and (2) sell the rights to properties before they are assigned to HUD's property disposition inventory so that they can be disposed of quickly once they are available. Although HUD anticipates that these changes will limit the need for real estate asset management contractors' services, there will continue to be properties in need of such services, even if on a smaller scale. As a result, HUD oversight of these contractors will continue to be important.

Housing Finance:

FHA's Risk-Sharing Programs Offer Alternatives for Financing Affordable Multifamily Housing

GAO/RCED-98-117, Apr. 23 (100 pages).

During the 1980s, a decline in the production of affordable housing and a rise in the number of low-income households meant that more poor families were unable to obtain affordable housing. Although Congress wanted to expand access to capital for the production of affordable housing, it had concerns about risk after the federal government lost more than \$2 billion from defaults on multifamily mortgage loans insured through the former coinsurance program run by the Department of Housing and Urban Development (HUD). Accordingly, in 1992, Congress established two new risk-sharing demonstration programs that divide the financial liability for any defaults between the federal government and its risk-sharing partners—state housing finance agencies or other qualified financial institutions. This report (1) reviews these two programs and HUD's administration and (2) identifies any opportunities for improvement. More specifically, GAO looks at how well the programs are meeting their goals, identifies their benefits for participating financial institutions and HUD, and considers ways to improve the programs and their administration.

Testimony

Homeownership: Management Challenges Facing FHA's Single-Family Housing Operations, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. GAO/T-RCED-98-121, Apr. 1 (25 pages).

Through the Federal Housing Administration (FHA), the Department of Housing and Urban Development (HUD) insures private lenders against nearly all losses arising from foreclosures on single-family homes insured by FHA. FHA-insured single-family mortgages were valued at about \$361 billion as of September 1997. This poses a risk to taxpayers because each year lenders foreclose on FHA mortgages that go into default and file insurance claims with HUD for their losses. Although FHA's single-family mortgage insurance program is self-sufficient, requiring no federal money to operate, poor program management can contribute to the losses sustained by FHA when foreclosures occur. This testimony discusses (1) FHA's role in providing mortgage credit to home buyers; (2) management problems plaguing HUD's single-family program, including HUD's oversight of the contractors responsible for safeguarding and maintaining foreclosed FHA properties, indications that weaknesses may exist in HUD's oversight of FHA appraisers, and internal control problems cited in FHA's financial statement audits; and (3) HUD's plans for addressing these and other single-family management problems as part of its agencywide HUD 2020 Management Reform Plan.

Home Improvement: Weaknesses in HUD's Management and Oversight of the Title I Program, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. GAO/T-RCED-98-177, Apr. 30 (12 pages).

Title I home improvements, which are insured by the Department of Housing and Urban Development (HUD), are available to owners who have little equity in their homes. If borrowers default on their loans, banks submit claims to HUD, which approves or denies them. GAO found that program management and oversight is weak. HUD does not know who the program is servicing, if lenders are complying with program regulations, and whether potential program abuses are occurring.

Income Security

Social Security Financing: Implications of Government Stock Investing for the Trust Fund, the Federal Budget, and the Economy

GAO/AIMD/HEHS-98-74, Apr. 22 (82 pages).

Allowing the Social Security trust fund to invest in the stock market is a complex proposal that has potential consequences for the trust fund, the

U.S. economy, and federal budget policy. For the Social Security trust fund, stock investing offers the prospect of higher returns but greater risk. Higher returns would allow the trust fund to pay benefits longer, even without other program changes. However, if stock investing is implemented in isolation, the trust fund would inevitably have to liquidate its stock portfolio to pay promised benefits, and it would be vulnerable to losses in the event of a general stock market turndown. Although stock investing is unlikely to solve Social Security's long-term financial imbalance, it could reduce the size of other reforms needed to restore the program's solvency. For the federal budget, stock investing would have the immediate effect of increasing the reported unified deficit or decreasing any reported unified surplus because, under current budget scoring rules, stock purchases would be treated as outlays. Any money used to buy stocks would no longer be invested in Treasury securities, reducing the Treasury's available cash and more clearly revealing the underlying financial condition of the rest of the government. Without compensating changes in fiscal policy, stock investing would not significantly alter the impact of federal finances on national saving and the economy. GAO summarized this report in testimony before Congress; see:

Social Security Financing: Implications of Stock Investing for the Trust Fund, the Federal Budget, and the Economy, by Barbara C. Bovbjerg, Associate Director for Income Security Issues, before the Senate Special Committee on Aging. GAO/T-AIMD/HEHS-98-152, Apr. 22 (27 pages).

**Social Security:
Better Payment Controls for Benefit Reduction Provisions Could
Save Millions**

GAO/HEHS-98-76, Apr. 30 (30 pages).

Under the government pension offset provision, enacted in 1977, the Social Security Administration (SSA) must reduce social security benefits to persons whose entitlement to social security benefits is based on another person's (usually their spouse's) social security coverage. Their social security benefits are to be reduced by two-thirds of the amount of their government pension. Under the windfall elimination provision, enacted in 1983, SSA must use a modified formula to calculate the social security benefits that people earn when they have had a limited career in covered employment. The modified formula reduces the amount of payable benefits. With regard to the government pension offset provision, spouse and survivor benefits were intended to provide some social

security protection to spouses with limited working careers. With regard to the windfall elimination provision, Congress was concerned that the social security benefit formula provided unintended windfall benefits to workers who had spent most of their careers in noncovered employment. This report discusses how well SSA administers the two provisions and identifies ways to overcome administrative deficiencies.

Testimony

Supplemental Security Income: Organizational Culture and Management Inattention Place Program at Continued Risk, by Cynthia Fagnoni, Director of Income Security Issues, before the Subcommittee on Human Resources, House Committee on Ways and Means. GAO/T-HEHS-98-146, Apr. 21 (11 pages).

The Supplemental Security Income Program, which provides \$25 billion each year in cash assistance to poor, blind, and disabled persons, remains vulnerable to fraud and abuse. More than \$1 billion in overpayments were detected in 1997. A primary reason is an agency culture that puts more emphasis on paying an “entitled” population than on verifying eligibility requirements. Because of this culture, the Social Security Administration has relied heavily on applicants to self-report important eligibility information, which it has tried to validate with untimely and incomplete verification processes. SSA also lacks essential collection tools to pursue overpayments once they are identified and has not made fraud detection and prevention a priority. Thus, annual overpayments have steadily increased, program abuses continue, and the gap between overpayments recovered by SSA each year and what is owed the program widens. Many of SSA’s corrective measures are still in the planning stages, and the agency still lacks a comprehensive, long-term strategy for improving program performance.

Information Management

Telecommunications: Telephone Slamming and Its Harmful Effects

GAO/OSI-98-10, Apr. 21 (20 pages).

Telephone slamming—the unauthorized switching of a customer from one long-distance carrier to another—is a growing problem. The Federal Communications Commission (FCC), state regulatory agencies, and the telecommunications industry each rely on the others to be the main forces against intentional slamming. However, FCC’s antislamming measures do

little to protect consumers from slamming. Although representatives of state regulatory agencies and the industry view a provider's FCC tariff—a schedule of services, rates, and charges—as a key credential, FCC places no significance on the tariffs that long-distance providers must file with it before providing service. FCC accepts tariffs, but it does not review the information they contain. Thus, having a tariff on file with FCC is no guarantee of a long-distance provider's integrity or of FCC's ability to penalize a provider that slams consumers. As part of its investigation, GAO easily filed a tariff with FCC and could then slam consumers with little chance of being caught. State regulatory measures that could preclude slamming range from none in a few states to extensive in others. Industry's antislamming measures appear to be more market-driven. However, by contacting their local exchange carrier and “freezing” their choice of Primary Interexchange Carriers, or long-distance providers, consumers can effectively reduce the chance of intentional slamming. In a case study, GAO found that one individual was responsible for slamming more than 500,000 consumers. His companies billed their customers at least \$20 million in long-distance charges and left at least \$3.8 million in unpaid bills to industry firms, including long-distance carriers, with which they were doing business. GAO summarized this report in testimony before Congress; see:

Telecommunications: Telephone Slamming and Its Harmful Effects, by Eljay B. Bowron, Assistant Comptroller General for Special Investigations, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-OSI-98-11, Apr. 23 (10 pages).

**Year 2000 Computing Crisis:
Potential for Widespread Disruption Calls for Strong Leadership
and Partnerships**

GAO/AIMD-98-85, Apr. 30 (50 pages).

According to the report of the President's Commission on Critical Infrastructure Protection, the United States—with close to half of all computer capacity and 60 percent of Internet assets—is the world's most advanced and most dependent user of information technology. Disruption of these systems could create a widespread crisis. Accordingly, the upcoming change of century is a sweeping and urgent challenge for public and private-sector organizations. GAO has designated the Year 2000 computing issue as a high-risk area. This report (1) outlines the Year 2000 risks confronting the government and the nation, (2) describes the

evolution of the federal government's Year 2000 strategy, and (3) identifies additional actions that the Executive Branch can take to prepare the nation for the Year 2000. GAO concludes that although progress has been made in addressing the federal government's Year 2000 computing crisis, serious vulnerabilities remain. Many agencies are behind schedule, and, at the current pace, it is clear that not all mission-critical systems will be fixed in time.

**Defense Computers:
Year 2000 Computer Problems Threaten DOD Operations**

GAO/AIMD-98-72, Apr. 30 (41 pages).

The Pentagon relies on computers systems for some aspect of all of its operations, including strategic and tactical operations, sophisticated weaponry, intelligence, surveillance and security efforts, and routine business functions, such as financial management and personnel matters. Failure to deal with the Year 2000 problem in time could severely degrade or disrupt the Defense Department's (DOD) mission-critical operations. DOD has taken steps to increase awareness, promote information sharing, and encourage the military to make Year 2000 remediation efforts a high priority. Its progress in fixing systems, however, has been slow. In addition, DOD lacks key management and oversight controls to enforce good management practices, direct resources, and establish a complete picture of its progress in fixing systems. As a result, DOD lacks complete and reliable information on systems, interfaces, other equipment needing repair, and the cost of its correction efforts. It is spending limited resources fixing nonmission-critical systems even though most mission-critical systems have not been corrected. It has also increased the risk that (1) Year 2000 errors will be propagated from one organization's systems to another's, (2) all systems and interfaces will not be thoroughly and carefully tested, and (3) components will not be prepared should their systems miss the Year 2000 deadline or fail unexpectedly in operation.

**District of Columbia:
Software Acquisition Processes for a New Financial
Management System**

GAO/AIMD-98-88, Apr. 30 (35 pages).

This report discusses whether the District of Columbia implemented disciplined software acquisition processes for its new financial

management system. GAO found that the District's software acquisition processes for the financial management system acquisition, although having some strengths, are not mature when compared to standards set by the Software Engineering Institute. Accordingly, GAO makes recommendations to strengthen these processes as they relate to the financial management system project and to improve any future software acquisitions.

Veterans Affairs:
Status of VA Efforts to Consolidate VA Data Centers

GAO/AIMD-98-94, Apr. 22 (12 pages).

GAO reviewed the Department of Veterans Affairs' (VA) plans to consolidate mainframe computer operations at the Veterans Benefits Administration's benefits delivery centers in Hines, Illinois, and Philadelphia, Pennsylvania, and at VA's Austin, Texas Automation Center. This report discusses the current status of VA's efforts to consolidate its data centers.

Testimony

Department of the Interior: Year 2000 Computing Crisis Presents Risk of Disruption to Key Operations, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the House Committee on Resources. GAO/T-AIMD-98-149, Apr. 22 (18 pages).

Although government and industry have taken steps to address the Year 2000 issue, the recent creation of the President's Council on Year 2000 Conversion represents an opportunity to orchestrate the leadership and public/private partnerships essential to confronting the unprecedented challenges the United States faces. This testimony (1) briefly outlines where the federal government stands in its efforts to lessen Year 2000 risks and (2) presents GAO's preliminary observations on Year 2000 activities at the Department of the Interior.

International Affairs

Bosnia:
Military Services Providing Needed Capabilities but a Few Challenges Emerging

GAO/NSIAD-98-160, Apr. 29 (19 pages).

The Dayton Peace Accords, signed in December 1995, are designed to end years of hostilities in the former Yugoslavia. One part of the accords involves the deployment of a NATO-led coalition in Bosnia to carry out the peace agreement. In February 1998, NATO voted to continue the mission in Bosnia indefinitely. This report examines how the military (1) has provided the needed capabilities for the operation thus far and (2) plans to provide them in the future. GAO also examines the President's ability to call up reserves under his presidential selected reserve call-up authority. GAO focuses on the Army and the Air Force because they have provided the vast majority of the needed capabilities.

Testimony

China: U.S. and European Union Arms Sales Since the 1989 Embargoes, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the Joint Economic Committee. GAO/T-NSIAD-98-171, Apr. 28 (23 pages).

This testimony focuses on the status of the arms embargoes imposed on China by the European Union and the United States following the 1989 massacre of demonstrators in Beijing's Tiananmen Square. GAO discusses (1) the terms of the European Union and U.S. embargoes, (2) the extent of European Union and U.S. sales of military items to China since 1989, and (3) the potential role that such items could play in addressing China's defense needs.

Justice and Law Enforcement

Federal Prison Industries: Limited Data Available on Customer Satisfaction

GAO/GGD-98-50, Mar. 16 (41 pages).

Federal Prison Industries (FPI), a wholly owned government corporation run by the Bureau of Prisons, uses inmate labor to produce about 150 different products and services, including furniture, textiles, and electronic components. FPI then markets these items to federal agencies. This report provides information on whether FPI collects and maintains data that would enable it to make reliable, generalizable statements about the satisfaction of its federal agency customers with the quality, cost, and timely delivery of FPI products. GAO discusses (1) whether FPI has data, either from its management information systems or from other sources, to support overall conclusions about how federal customers who buy and use its products and services view their timeliness, price, and quality; and

(2) whether agencies that are among the largest buyers of FPI products and services monitor FPI's performance the same way they do commercial vendors in terms of timeliness, price, and quality.

Money Laundering:

FinCEN Needs to Better Communicate Regulatory Priorities and Time Lines

GAO/GGD-98-18, Feb. 6 (54 pages).

The Financial Crimes Enforcement Network (FinCEN) was established in 1990 to support law enforcement agencies by analyzing and coordinating financial intelligence information to combat money laundering. FinCEN has issued fewer analytical products in recent years. A primary reason that FinCEN officials gave for this change is that FinCEN's staffing levels have remained fairly constant, while its overall mission has expanded. Also, FinCEN has been encouraging and training other federal, state, and local law enforcement agencies to assess and analyze source data directly either through FinCEN resources or their own. Federal and state officials generally seemed satisfied with FinCEN's products and service. However, FinCEN needs to better communicate its regulatory priorities and time lines, particularly concerning regulations authorized or required by the Money Laundering Suppression Act of 1994. FinCEN did not meet any of the three statutory deadlines imposed by the act, and final regulations for several of the act's provisions are still pending. In 1992, GAO reported that the Treasury Department was taking about 21 months, on average, to process civil penalty referrals for Bank Secrecy Act violations. Since then, the average has grown to about three years, according to FinCEN data. GAO is working with FinCEN to identify reasons for the increase in processing times. GAO summarized this report in testimony before Congress; see:

Money Laundering: FinCEN's Law Enforcement Support, Regulatory, and International Roles, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on General Oversight and Investigations, House Committee on Banking and Financial Services. GAO/T-GGD-98-83, Apr. 1 (40 pages).

Customs Service:

Process for Estimating and Allocating Inspectional Personnel

GAO/GGD-98-107, Apr. 30 (36 pages).

In fiscal year 1997, the U.S. Customs Service collected about \$19 billion in revenues and processed about 18 million import entries; about 128 million vehicles; and about 446 million air, land, and sea passengers entering the country. This report determines (1) how Customs assesses its needs for inspectors and canine enforcement officers and allocates such resources to commercial cargo ports of entry; (2) whether Customs received all the additional inspection personnel its assessments indicated it needed and, if not, why it did not receive them; and (3) whether there are any known implications of Customs' not receiving all of the personnel estimated to be needed and the impact of the additional personnel that were appropriated on Customs' drug enforcement operations.

National Defense

Defense Industry: Consolidation and Options for Preserving Competition

GAO/NSIAD-98-141, Apr. 1 (12 pages).

Despite the spate of recent defense mergers and acquisitions, consolidation in the defense industry—which is now more concentrated than at any time during the past 50 years—has not adversely affected military programs. Many defense industry mergers and acquisitions are recent, so little evidence exists to suggest that the increased consolidation has adversely affected current Defense Department (DOD) programs. As the single customer for many products, DOD must be able to identify and address potential harmful effects of mergers and acquisitions. Antitrust reviews have identified some problems, and remedies have been implemented. However, the consolidation could pose future problems unless DOD strengthens its ability to identify problem areas and devise alternative ways to maintain competition in defense acquisition programs. DOD can take several steps to maintain competition. For example, it can design acquisition strategies to compete missions rather than products and provide funding to develop alternative suppliers or technologies. However, DOD cannot know what action to take unless it has adequate visibility into the industrial base—particularly at the lower tiers. Progress has been slow in gaining that visibility.

Defense Industry Restructuring: Updated Cost and Savings Information

GAO/NSIAD-98-156, Apr. 30 (25 pages).

The seven defense business combinations reviewed by GAO estimated that they had spent \$1.2 billion on such restructuring activities as the disposal and relocation of facilities and equipment, consolidation of operations and systems, relocation of employees, and workforce reductions. Of this amount, the business combinations spent about \$115 million on expenses linked to workforce reductions. Severance pay constituted the majority of these expenses, with lesser amounts going for temporary health benefits and outplacement services. Overall, the business combinations reported that about 18,000 workers or positions were eliminated because of restructuring efforts. Although the Defense Department believes that billions of dollars in benefits will flow from industry restructuring, GAO cautions that those amounts may be overstated.

**Medical Readiness:
Efforts Are Underway for DOD Training in Civilian Trauma Centers**

GAO/NSIAD-98-75, Apr. 1 (52 pages).

Because the Defense Department (DOD) believes that military doctors are not prepared to provide trauma care to severely injured soldiers in wartime, Congress approved a demonstration project to train military doctors in public hospitals. Although GAO found that it is too soon to assess the effectiveness of the program—as of March 1998, only four surgeons had completed their training rotations—several questions need to be answered before the program is expanded. DOD needs to consider whether civilian trauma centers have the capacity to train large numbers of military personnel and whether military trainees can get enough experience, given that they will be competing with hospital personnel for training opportunities. In the long term, better information will be needed on wartime medical requirements, the personnel requiring trauma care training and their priority for such training, and the desired frequency of refresher training. The biggest challenge DOD may face is deciding how best to balance the need for wartime medical training with the substantial needs of its peacetime health care system.

**Combating Terrorism:
Threat and Risk Assessments Can Help Prioritize and Target
Program Investments**

GAO/NSIAD-98-74, Apr. 9 (40 pages).

The United States is spending billions of dollars each year to combat terrorism, with few guarantees that federal funds are being channeled to the right programs or in the right amounts. Threat and risk assessments could help better target these funds, set priorities, and avoid duplication of effort. The government also needs improved coordination among federal, state, and local agencies. Disagreement exists in the intelligence and scientific communities over the nature of the terrorist threat, particularly the potential for terrorist incidents involving weapons of mass destruction. Although conventional explosives and firearms continue to be the weapons of choice for terrorists, the likelihood that they may use chemical and biological weapons may increase during the coming decade, according to intelligence agencies. GAO summarized this report in testimony before Congress; see:

Combating Terrorism: Observations on Crosscutting Issues, by Richard Davis, Director of National Security Analysis Issues, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-98-164, Apr. 23 (13 pages).

**Defense Logistics Agency:
Process for Selecting Defense Distribution Center Site
Contained Weaknesses**

GAO/NSIAD-98-96, Apr. 9 (28 pages).

In September 1997, the Defense Logistics Agency (DLA) announced its decision to consolidate its eastern and western regional distribution headquarters into a new center to be located in New Cumberland, Pennsylvania, the site of the eastern regional headquarters. At that time, DLA officials expected the consolidation to take place during a two-year period beginning in October 1997. Through the consolidation, DLA expects to cut its regional headquarters and co-located support personnel by about 673, for a savings of more than \$28 million annually. This report reviews the process that DLA used to select the site for its new center. GAO discusses whether (1) the process was sound and (2) any evidence exists that the site selection had been predetermined.

**Public-Private Competition:
DOD's Additional Support for Combining Depot Workloads
Contains Weaknesses**

GAO/NSIAD-98-143, Apr. 17 (27 pages).

The Defense Department (DOD) determined that workloads now being performed at the closing San Antonio, Texas, and Sacramento, California, Air Force maintenance depots cannot be performed as logically and economically without combination. GAO's January 1998 report (GAO/NSIAD-98-76) concluded that DOD's decisions to combine workloads were not adequately supported. In February, DOD provided Congress and GAO with additional support for its determination. This report addresses the reasons that the Air Force believes that it is more logical and economical to combine the workloads and presents GAO's views on the rationale for DOD's determinations and the information provided to support this rationale.

**U.S. Coast Guard:
Use of DOD Funds for National Security Functions**

GAO/NSIAD-98-110, Apr. 15 (10 pages).

The Fiscal Year 1997 Department of Defense Appropriations Act made \$300 million available for transfer from the Defense Department (DOD) to the Coast Guard. The law requires that the transferred funds be used only for the Coast Guard's performance of national security functions in support of DOD. This report (1) discusses whether the transfer of the DOD funds to the Coast Guard in fiscal year 1997 was made in accordance with the legislative provisions and (2) examines the Coast Guard's expected use of the transferred funds for fiscal year 1997 and the Coast Guard's actual expenditure of them for national security functions that year.

**Intratheater Airlift:
Information on the Air Force's C-130 Aircraft**

GAO/NSIAD-98-108, Apr. 21 (35 pages).

This report provides information on the Air Force's C-130 program. GAO answers the following questions: What is the mission of the current and planned C-130 fleet? What are the C-130 requirements for the Air National Guard and Air Force Reserve C-130? What is the C-130 procurement

history in the Guard and Reserve units? What are the Air Force plans for retiring excess C-130s in the Master Stationing Plan? Is the Air Force's process for retiring C-130 aircraft when replacement aircraft become available effective? What is the Air Force C-130J requirement and what other alternatives were considered? What is the C-130J logistics support funding shortfall?

**Navy Ship Maintenance:
Temporary Duty Assignments of Temporarily Excess Shipyard
Personnel Are Reasonable**

GAO/NSIAD-98-93, Apr. 21 (23 pages).

This report reviews the Navy's practice of using temporary duty assignments of naval shipyard personnel to perform ship maintenance and repair work at homeports without nearby naval shipyard capability. GAO reviews (1) the rationale supporting the Navy's practice, (2) the cost effectiveness of these assignments, and (3) the factors affecting future requirements for the practice.

**Defense Outsourcing:
Impact on Navy Sea-Shore Rotations**

GAO/NSIAD-98-107, Apr. 27 (20 pages).

This report discusses whether the Defense Department's (DOD) outsourcing, or contracting out, of commercial activities reduced the availability of rotational billets for active duty military personnel. On the basis of its initial inquiries, GAO found that problems regarding the impact of outsourcing on rotational assignments were occurring mainly within the Navy. As a result, GAO focused its review on the Navy. GAO addresses (1) how the Navy's current outsourcing efforts have affected rotational billets and (2) whether the Navy has policies and procedures in place to minimize the impact of outsourcing on rotational billets in the future.

**AIM-9X Acquisition:
Missile Risk Reduction Underway but System Production Plans
Need to Be Reexamined**

GAO/NSIAD-98-45, Apr. 28 (34 pages).

The Navy and the Air Force are jointly developing the AIM-9X short-range air-to-air missile to replace the AIM-9M missile. The Defense Department risks technical and operational problems by producing the AIM-9X missile before completing operational testing. In addition, unless a helmet-mounted cueing system designed to aim the missile is tested under realistic conditions with the missile itself, there is no guarantee that the weapon will be able to prevail in aerial combat.

**Electronic Warfare:
DoD Should Select Most Cost-Effective Infrared
Countermeasure System**

GAO/NSIAD-98-2, Apr. 28 (12 pages).

To better protect U.S. aircraft from infrared guided missiles, the military is seeking to acquire two active countermeasure systems, including one being jointly developed with the British. GAO found that the Defense Department may be able to realize sizeable savings by procuring only the more cost-effective of the two systems.

**Defense Health Care:
Collaboration and Criteria Needed for Sizing Graduate
Medical Education**

GAO/HEHS-98-121, Apr. 29 (27 pages).

Graduate military education programs in military hospitals are the Defense Department's main source of active duty physicians to meet the wartime and peacetime care needs of its 8.2 million military and civilian beneficiaries. In recent years, as their budgets have declined along with overall military personnel strength, the Army, the Navy, and the Air Force have sought to reduce graduate military education enrollment. Such adjustments require care to ensure an appropriate balance between the numbers and types of physician specialists in training, and thus not military deployable, and the numbers of trained specialists available for deployment. As downsizing continues, the military is finding that required graduate military education reductions may entail closing whole programs at selected facilities. In early 1997, the Navy Surgeon General tried but was unsuccessful in closing selected graduate military education programs. This report discusses (1) why the Navy did not accept its council's recommendations for Bethesda graduate military education closures and why its other closure attempts did not succeed, (2) whether the other

services already have faced or may face similar experiences, and (3) what improvements may be needed if the services are to successfully make and implement their graduate military education sizing decisions.

**New Attack Submarine:
More Knowledge Needed to Understand Impact of Design Changes**

GAO/NSIAD-98-38, Apr. 30 (18 pages).

Although the Navy plans to spend \$64 billion to acquire 30 new attack submarines during the next 18 years, it has little basis for confidence in the submarine's performance because it lacks an evaluation that reflects current conditions, including a more capable threat from enemy forces, reduced performance of several subsystems, and risks inherent in new development. At this point in the submarine program, the use of modeling tools to identify and correct problems that could affect the submarine's survivability would allow change to be made in development schedules and funding profiles at much lower cost than if problems were identified later. GAO recommends that the Navy conduct survivability modeling to assess the impact that reduced capabilities of various subsystems have on ship survivability when integrated into the overall submarine design. Available research and development funding could be used for this modeling. GAO also recommends that the Defense Department take steps to ensure that the results are used in making fiscal year spending decisions on the program.

**Nonappropriated Funds:
Opportunities to Improve DoD's Concessions Committee**

GAO/NSIAD/AIMD-98-119, Apr. 30 (22 pages).

Congress has expressed concern that nonappropriated fund activities at the Pentagon reservation were being operated without adequate congressional oversight and coordination. The focus of this concern was the Department of Defense Concessions Committee, which, through its concessionaires, generated sales of about \$30 million in fiscal year 1997. This report discusses the Concessions Committee's (1) financial operations; (2) oversight and management; and (3) contributions to morale, welfare, and recreation funds.

**Quadrennial Defense Review:
Some Personnel Cuts and Associated Savings May Not Be Achieved**

GAO/NSIAD-98-100, Apr. 30 (43 pages).

This report reviews the Defense Department's (DOD) May 1997 Report of the Quadrennial Defense Review, which directed the military to reduce the number of active, reserve, and civilian personnel. GAO discusses (1) the basis for the personnel cuts, (2) the services' plans to implement personnel cuts and achieve savings, (3) the extent to which the services believe that the cuts will affect their ability to carry out the national military strategy, and (4) DOD's plans to monitor the military's progress in implementing the cuts.

**Military Base Closure:
Questions Relating to Relocating Two Navy Activities to North
Island, California**

GAO/NSIAD-98-90, Apr. 30 (10 pages).

This report reviews the Navy's planned relocation and consolidation of the Naval Air Technical Services Facility and the headquarters of the Naval Aviation Engineering Service Unit, now located in Philadelphia, Pennsylvania, to the Naval Air Station at North Island, California. These actions are being taken in response to the recommendations of the 1995 Base Closure and Realignment Commission. This report discusses (1) the current plan's compliance with the Commission's recommendations, (2) the effect of the new alignment on the original savings estimate, (3) the cost estimate associated with moving the Technical Services Facility and the Engineering Service Unit functions to North Island, and (4) the feasibility of consolidating these functions at less cost in Philadelphia.

Natural Resources

**National Park Service:
Efforts to Link Resources to Results Suggest Insights for
Other Agencies**

GAO/AIMD-98-113, Apr. 10 (54 pages).

The National Park Service faces complex resource and management challenges, including an ever-expanding base of park units to operate, an ambitious set of resource protection and visitor service goals, and a

temporary new recreation fee authority that is expected to significantly boost revenues at many parks. All this suggests that the Park Service would benefit from aligning its planning and budgeting processes to demonstrate how these challenges can be met with available budgetary resources. However, in an earlier report (GAO/RCED-97-125, Apr. 1997), GAO found that the Park Service's budget is unconnected to agency performance goals, decentralized, and focused on justifying increases to a fixed base. This report (1) describes how the Government Performance and Results Act has influenced planning and budgeting at the Park Service, (2) discusses the extent to which strategic and annual planning and budgeting processes have become linked and the challenges to achieving such a linkage, and (3) provides insights into the Park Service's experience with results-oriented management and budgeting that may hold lessons for other agencies implementing the Results Act.

Water Resources:

Corps of Engineers' Actions to Assist Salmon in the Columbia River Basin

GAO/RCED-98-100, Apr. 27 (64 pages).

Columbia River Basin salmon runs were once the world's largest. Before 1850, an estimated 16 million salmon returned to the basin each year. By 1996, however, returning adult salmon had been reduced to about 2.5 million fish, of which only about 500,000 were wild or naturally spawning salmon. The U.S. Army Corps of Engineers has sought to improve the passage of adult and juvenile salmon around the eight dams that it operates on the lower Columbia and Snake rivers. The Corps estimates that it will spend \$1.4 billion to implement its fish mitigation program. About \$908 million will be spent to build fish passage projects and related studies through the program's completion in 2007. This report discusses (1) the Corps' decision-making process for identifying, setting priorities for, and funding actions to help the recovery of salmon runs and (2) whether the Corps has been completing its fish mitigation efforts on schedule and within budget. GAO also determines why the Corps has not entered into a direct funding agreement with the Bonneville Power Administration for the cost of running the Corps' dams in the Columbia River Basin.

Testimony

Department of the Interior: Observations on Performance Plan and Other Management Issues, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the House Committee on Resources. GAO/T-RCED/AIMD-98-173, Apr. 22 (16 pages).

With sustained attention from Congress and federal agencies, annual performance plans can be an invaluable tool for making policy decisions, improving program management, enhancing accountability, and boosting the confidence of citizens in their government. The Interior Department, like other agencies, is in the early stages of meeting the requirements of the Government Performance and Results Act of 1993. This testimony provides GAO's observations on (1) Interior's plan to measure its performance as required by the Results Act; (2) whether major management problems GAO has reported on are being addressed in the agency's performance plan; and (3) financial management issues at Interior.

Science, Space, and Technology

Federal Research: Observations on the Small Business Innovation Research Program

GAO/RCED-98-132, Apr. 17 (24 pages).

As a nation competing in a global economy, the United States depends heavily on innovation through research and development (R&D). Because small business is a leading source of significant innovation, Congress established the Small Business Innovation Research program in 1982. Funding for the program, which was reauthorized in 1992, totaled about \$1 billion in fiscal year 1997. This report discusses the following aspects of the program: (1) agencies' adherence to statutory funding requirements, (2) agencies' audits of external R&D budgets, (3) the effect of the application review process and funding cycles on award recipients, (4) the extent of companies' project activity after receiving program funding and agencies' techniques to foster commercialization, (5) the number of multiple-award recipients and the extent of their project-related activity after receiving program funding, (6) the occurrence of funding for single-proposal awards, (7) participation by women-owned businesses and socially and economically disadvantaged businesses, (8) the program's promotion of the critical technologies, (9) the extent to which foreign firms benefit from the results of the program, and (10) the geographical distribution of program awards. GAO summarized this report in testimony before Congress; see:

Federal Research: Observations on the Small Business Innovation Research Program, by Susan D. Kladiva, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Government Programs and Oversight, House Committee on Small Business. GAO/T-RCED-98-170, Apr. 22 (11 pages).

Social Services

Food Stamp Program: Information on Trafficking Food Stamp Benefits

GAO/RCED-98-77, Mar. 26 (19 pages).

According to the most recent Food and Nutrition Service study available, about \$815 million, or four percent of the food stamps issued, was trafficked at retail stores during fiscal year 1993. Supermarkets and large grocery stores redeemed 82.5 percent of all food stamp benefits and had a combined trafficking rate of 1.9 percent of all benefits redeemed. In contrast, smaller grocery stores redeemed 17.5 percent of the benefits but had a combined trafficking rate of 13 percent of the benefits redeemed. During fiscal years 1990 through 1997, the Food and Nutrition Service identified food stamp trafficking in more than 5,700 retail stores, the Office of Inspector General investigated and reported on 5,551 trafficking cases, and the Justice Department and state and local cases prosecuted about 2,650 cases referred by the Office of Inspector General. In the 432 food stamp trafficking cases GAO reviewed, store owners alone were caught trafficking in about 40 percent of the cases, clerks alone were involved in 47 percent of the cases, and store owners and clerks together were caught trafficking in 13 percent of the cases. The Food and Nutrition Service disqualified the owners caught trafficking from the Food Stamp Program in 428 cases and assessed penalties totaling \$1.1 million. The courts assessed \$1.4 million in penalties and sentenced owners to jail in 16 cases. Store clerks—caught trafficking in 260 cases—received about \$36,500 in penalties and jail sentences in nine cases. GAO summarized this report in testimony before Congress; see:

Food Assistance: Observations on Reducing Fraud and Abuse in the Food Stamp Program, by Robert A. Robinson, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-98-167, Apr. 23 (13 pages).

Testimony

Child Care: States' Efforts to Expand Programs Under Welfare Reform, by Mark V. Nadel, Associate Director for Income Security Issues, before the Subcommittee on Social Security and Family Policy, Senate Committee on Finance. GAO/T-HEHS-98-148, Apr. 22 (10 pages).

A GAO review of seven states' child care subsidy programs found that the seven states are using additional federal dollars and their own funds to expand their child care programs to serve increasing numbers of welfare recipients required to work and at least some of the working poor. In addition, states are trying to further increase the supply of child care by funding initiatives to support and encourage the entrance of new child care providers into the market. At the same time that states are expanding their programs and attempting to increase supply, they appear to be maintaining child care standards and enforcement practices. However, it is too soon to know how effective these efforts will be in meeting the child care needs of poor families.

Tax Policy and Administration

IRS Audits: Workpapers Lack Documentation of Supervisory Review

GAO/GGD-98-98, Apr. 15 (18 pages).

The Internal Revenue Service (IRS) requires its auditors to examine a taxpayer's books and records in sufficient depth to fully develop the relevant facts and correctly apply the tax laws to these facts. IRS auditors are to document these activities and their conclusions in audit workpapers. In a December 1997 report (GAO/GGD-98-38), GAO reviewed workpapers for a random sample of 354 IRS audits to measure how often IRS auditors used the financial status audit techniques and what these techniques produced in tax adjustments. GAO discovered two procedural issues that extended beyond the objectives of that assignment: (1) the adequacy of audit workpapers and (2) documentation of supervisory review of those workpapers. This report evaluates the condition of IRS workpapers, including documentation of supervisory review, that GAO found in doing its work for the December 1997 report.

Transportation

Mass Transit: Grants Management Oversight Improving, but Better Follow-Up Needed on Grantees' Noncompliance

GAO/RCED-98-89, Apr. 3 (32 pages).

In 1992, GAO included the Federal Transit Administration's (FTA) management and oversight of billions of dollars in federal transit grants in its list of government programs at high risk for waste, fraud, abuse, and mismanagement. Since then, FTA has tried to address the program's oversight weaknesses. Because of various initiatives that FTA has undertaken, GAO removed FTA from its high-risk list in February 1995—with the understanding that GAO would continue to monitor FTA's progress. This report discusses GAO's latest review of FTA's grants management oversight. GAO focuses on (1) FTA's initiatives that have provided greater focus on grants management and oversight and (2) the improvements that can be made to correct grantees' noncompliance and assess the program's effectiveness.

Surface Transportation: Issues Associated With Pipeline Regulation by the Surface Transportation Board

GAO/RCED-98-99, Apr. 21 (40 pages).

The Surface Transportation Board (STB) was created in 1996 as a successor agency to the Interstate Commerce Commission. STB regulates the rates charged by interstate pipelines carrying products other than gas, oil, or water. GAO is required to report on the impact of STB's regulation on pipeline competitiveness. Members of Congress have raised concerns specifically about the impact of STB's regulation on the transportation of anhydrous ammonia—an important crop fertilizer in the Midwest. This report examines (1) the historical reasons for regulating pipelines; (2) STB's role in regulating pipelines, including the number of pipelines regulated by STB; (3) the ability of alternatives to compete with pipelines that transport anhydrous ammonia to the Midwest; and (4) issues before Congress as it examines whether to extend, modify, or rescind STB's authority to regulate pipelines.

**National Airspace System:
Status of Wide Area Augmentation System Project**

GAO/RCED-98-79, Apr. 30 (30 pages).

To modernize the National Airspace System, the Federal Aviation Administration (FAA) plans to switch from ground- to satellite-based navigation by using satellite signals generated by the Defense Department's Global Positioning System (GPS). However, GPS by itself does not satisfy all civil air navigation requirements, such as the one requiring that aircraft operators be provided timely warnings of system malfunctions and another requiring that the system be available virtually around the clock. As a result, FAA is developing a network of ground stations and geostationary communications satellites, known as the Wide Area Augmentation System (WAAS), to enhance GPS so that satellite-based navigation can meet those requirements. The Secretary of Transportation reported in February 1998 on the program's status and management. GAO examines whether the Secretary's report provides a complete assessment of FAA's risks in developing the WAAS project. GAO also examines how alternative assumptions would affect WAAS' benefit-cost analysis of January 1998.

Testimony

Domestic Aviation: Service Problems and Limited Competition Continue in Some Markets, by John H. Anderson, Jr., Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure. GAO/T-RCED-98-176, Apr. 23 (21 pages).

Airline deregulation has led to lower fares and better services for most air travelers, largely because of increased competition spurred by the entry of new airlines into the industry and established airlines into new markets. However, some airports have not experienced such entry and have seen higher fares and less convenient service since deregulation. This testimony summarizes the findings of earlier GAO work on these fare and service trends, factors contributing to the problems, and steps that the Transportation Department and others have taken to address them.

Veterans Affairs

Gulf War Veterans: Incidence of Tumors Cannot Be Reliably Determined From Available Data

GAO/NSIAD-98-89, Mar. 3 (26 pages).

Members of Congress have raised concerns about whether Gulf War veterans have a higher risk of developing certain cancers because of their exposure to hazards in the Persian Gulf. GAO found that none of the data sources that provide information on the health characteristics of Gulf War veterans can be used to reliably estimate the incidence of tumors. Existing federal and state data systems are generally limited by poor coverage of the Gulf War veteran population and problems of reporting accuracy and completeness. The Defense Department (DOD) and the Department of Veterans Affairs (VA) have tried to improve the usefulness of these data systems but have not developed the capability to specifically address questions about tumors or other illnesses among Gulf War veterans. As a result, it is not known how many Gulf War veterans have tumors or whether they have a higher incidence of them than do other veterans. DOD and VA have recently funded research studies that should provide additional information on tumor cases. However, these studies are not the product of a systematic effort to study the incidence of tumors, and limitations will prevent the studies from providing reliable and valid estimates of tumors among Gulf War veterans.

VA Health Care: Persian Gulf Dependents' Medical Exam Program Ineffectively Carried Out

GAO/HEHS-98-108, Mar. 31 (21 pages).

After being in operation for more than 1-1/2 years, the Department of Veterans Affairs' (VA) program to provide medical examinations to spouses and children of Persian Gulf veterans has yet to be fully implemented. To inform Persian Gulf veterans and their families about the program, VA launched a national campaign that was supplemented by local efforts at coordinating VA medical centers. GAO could not assess the effectiveness of these efforts because of a lack of information on the potential number of Persian Gulf family members who believe that their illnesses are linked to a family member's service in the Gulf War. Only 872 of the 2,802 requested examinations had been completed as of January 1998. Forty-one percent of applicants either failed to report for appointments, refused

examinations, or had not yet answered requests to schedule examinations. Several factors contributed to the low completion rate. Participants face a lengthy and cumbersome scheduling process, and examination sites are not always easily accessible. Moreover, VA is not authorized to reimburse participants for travel, lodging, or lost wages. Although the clinical examinations may not resolve whether illnesses among Persian Gulf family members are related to the illnesses of veterans, the clinical examination approach provides these family members with an opportunity to visit with a physician and to receive a free medical examination. Standardized examinations also give VA a health surveillance tool for cataloging prominent symptoms among Persian Gulf family members.

VA Health Care:

Closing a Chicago Hospital Would Save Millions and Enhance Access to Services

GAO/HEHS-98-64, Apr. 16 (46 pages).

GAO's analysis found that three hospitals can meet the health care needs of Chicago-area veterans. By reducing the number of VA hospitals in the Chicago area from four to three, the Veterans Health Administration (VHA) can save about \$200 million during the next 10 years and possibly generate millions of dollars more through the sale or lease of the closed property. VHA has experienced a large supply of unused beds, and veterans' demand for VHA hospital care is expected to decline further as (1) treatments shift from inpatient to outpatient settings and (2) the Chicago-area veteran population continues to decrease. In addition, other Chicago public and private hospitals have about 5,700 excess beds, which VHA could use on a contract basis to meet veterans' inpatient needs closer to their homes.

Veterans Health Administration:

Performance and Conduct Issues Involving Senior Managers at VA Medical Centers

GAO/GGD-98-92, Apr. 30 (48 pages).

This report examines how the Department of Veterans Affairs (VA) manages the performance of senior executives and deals with instances of poor performance and misconduct. GAO focuses on the operations of one component of VA, the Veterans Health Administration (VHA), during fiscal years 1994 through 1996. GAO answers the following questions: How was the VHA performance management system identifying and dealing with

poor and marginal performers at the senior management levels of medical center director, associate or assistant director, and chief of staff? What effects, if any, have changes in organizational structure, policies, and procedures instituted by VHA in fiscal year 1996 had on its ability to identify and deal with poor and marginal performers? How was VHA identifying and dealing with instances of misconduct at the senior management levels of medical center director, associate or assistant director, and chief of staff?

**VA Hospitals:
Issues and Challenges for the Future**

GAO/HEHS-98-32, Apr. 30 (324 pages).

Use of the 173 hospitals run by the Department of Veterans Affairs (VA) has steadily declined during the past three decades; from 1963 through 1995, the average daily workload of VA hospitals declined 66 percent. This report identifies major issues and changes that Congress and the administration will face in the next few years concerning VA hospitals. GAO compares VA and community hospitals regarding (1) how hospital care evolved during the 20th century, including changes in supply and demand; (2) factors contributing to the declining demand; (3) the extent of excess capacity; and (4) actions taken to increase efficiency and compete for patients.

Testimony

Women Veterans' Health Care: VA Efforts to Respond to the Challenge of Providing Sexual Trauma Counseling, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Health, House Committee on Veterans' Affairs. GAO/T-HEHS-98-138, Apr. 23 (eight pages).

In the early 1990s, women veterans of the U.S. military made repeated allegations that they had been sexually assaulted while on active duty. Several of these women suffer from sexual trauma, including post-traumatic stress disorder, and experience emotional and physical symptoms, such as increased stress, impaired concentration, and nightmares. This testimony discusses (1) the extent to which sexual trauma counseling services are available in the Department of Veterans Affairs (VA), (2) the extent to which women veterans use these services, and (3) what VA is doing to assess the effectiveness of its sexual trauma counseling programs.

National Cemetery System: Plans for Addressing Projected Increases in Veterans' Burials, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Benefits, House Committee on Veterans' Affairs. GAO/T-HEHS-98-157, Apr. 29 (eight pages).

The National Cemetery System has adopted a five-year strategic plan through 2003 with the goal of ensuring that burial in a national or state veterans' cemetery is an option for all veterans and their eligible family members. Strategies outlined in the plan include (1) building new national cemeteries, (2) expanding existing cemeteries, and (3) encouraging states to provide additional burial sites through participation in the State Cemetery Grants Program. However, it is unclear how the National Cemetery System plans to cope with the demand for burials during the peak years of 2005 through 2010. On a related matter, GAO's analysis of three interment options found that columbaria are the most efficient option because they involve the lowest average interment cost and could significantly extend a cemetery's service life. Moreover, although most veterans and eligible family members prefer a casket burial, demand for cremation is growing. The National Cemetery System agreed with GAO's recommendation to identify opportunities to build columbaria in existing cemeteries and to collect and use information on veterans' burial preferences to better plan for future burial needs.

Special Publications

Privatization: Questions State and Local Decisionmakers Used When Considering Privatization Options

GAO/GGD-98-87, Apr. 1998 (20 pages).

In recent years, state and local governments have increasingly turned to various types of privatization. Privatization generally is defined as any process that is aimed at shifting functions and responsibilities from the government to the private sector through such activities as contracting out or asset sales. Congress and the administration have expressed interest in increasing the federal government's use of privatization. A recent GAO report, Privatization: Lessons Learned by State and Local Government (GAO/GGD-97-48, Mar. 1997), focused on privatization lessons learned by, and the related experiences of, the states of Georgia, Massachusetts, Michigan, New York, and Virginia, as well as the city of Indianapolis, Indiana. This publication identifies the critical questions that state and local

decisionmakers found useful when considering whether to privatize a government activity.

**Performance Measurement and Evaluation:
Definitions and Relationships**

GAO/GGD-98-26, Apr. 1998 (four pages).

Both the executive branch and Congress need evaluative information to help them make decisions about the programs they oversee—information that tells them whether, and in what important ways, a program is working well or poorly, and why. To improve federal management and increase the efficiency and effectiveness of government programs, the Government Performance and Results Act required agencies to set goals and report annually on program performance. The annual performance reports are to include both performance measurement results and program evaluation findings. This document describes and explains the relationship between two common types of systematic program assessments: performance measures and program evaluations.

**The Results Act:
An Evaluator's Guide to Assessing Agency Annual
Performance Plans**

GAO/GGD-10.1.20, Apr. 1998 (47 pages).

This guide is intended to help assess the strengths and weaknesses of agencies' annual performance plans in meeting (1) the requirements of the Government Performance and Results Act and (2) congressional expectations that the plans will inform Congress and the public about agencies' performance goals. Although the Results Act does not require a specific format for the annual performance plan, it requires the plan to (1) identify annual goals and measures of program activities, (2) discuss the strategies and resources needed to achieve annual goals, and (3) describe how the agency will verify and validate its performance data. This guide is organized around three core questions that can help determine how well the agency's plan meets these general requirements. For each core question, issues are identified that need to be addressed, and the criteria and guidance are provided to help evaluators answer the questions raised by these issues.

**Executive Guide:
Leading Practices in Capital Decision-Making**

GAO/AIMD-98-110, Apr. 1998 (80 pages).

Federal spending on major physical capital investments is expected to exceed \$68 billion in fiscal year 1999. Although agencies historically make large numbers of capital acquisitions each year, past management problems and years of budget restraint have led to an increased focus on strengthening capital decision-making and management. To help make federal investments in capital assets more effective, the Office of Management and Budget and GAO have been seeking to improve decision-making regarding the purchase of new assets and infrastructure. The goal is to give taxpayers the highest and most efficient returns and ensure that existing assets will be adequately maintained. This executive guide identifies organizational attributes that are important to the capital decision-making process as a whole, as well as capital decision-making principles and practices used by outstanding state and local governments and private industry.

Correspondence

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GAO/RCED-98-109R, Mar. 19.

Department of Energy: Voluntary Reporting Program for Greenhouse Gas Emissions Reductions. GAO/RCED-98-107R, Mar. 24.

Tennessee Valley Authority: Information on Nonpower Programs.
GAO/RCED-98-133R, Mar. 31.

H-2A Agricultural Guestworker Program: Response to Additional Questions. GAO/HEHS-98-120R, Apr. 2.

Bus Service Pricing Allegations. GAO/NSIAD-98-148R, Apr. 6.

Postal Service Reform: Observations on Proposed Revisions to H.R. 22.
GAO/GGD-98-97R, Apr. 7.

Management Letter: Schedule of Loans Receivable Serviced by the Bureau of the Public Debt. GAO/AIMD-98-111R, Apr. 7.

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Superfund: Status of the Superfund Trust Fund. GAO/RCED-98-152R, Apr. 16.

Senior Community Service Employment Program: Status of National Sponsor Grants. GAO/HEHS-98-115R, Apr. 17.

Student Loans: Effect of Including Certain Types of Loans in Calculating Schools' Default Rates. GAO/HEHS-98-135R, Apr. 17.

The Veterans Benefits Administration: Clarifying Information on Implementing the Results Act Performance Requirements. GAO/HEHS-98-149R, Apr. 17.

U.S. Export-Import Bank's Asian Financial Exposure. GAO/NSIAD-98-150R, Apr. 17.

Commemorative Coin Program: The 1995 Special Olympics World Games Organizing Committee, Inc. GAO/AIMD-98-121R, Apr. 17.

VA Health Care: Preliminary Observations on Medical Care Provided to Persian Gulf Veterans. GAO/HEHS-98-139R, Apr. 20.

Coast Guard: Relocation of Air Facility on Southern Lake Michigan. GAO/RCED-98-108R, Apr. 22.

Personal Bankruptcy: The WEFA Report on the Financial Costs of Bankruptcy. GAO/GGD-98-116R, Apr. 22.

Environmental Protection: Key Management Issues Facing EPA.
GAO/RCED-98-153R, Apr. 23.

Regulatory Reform: Major Rules Submitted for Congressional Review
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Highway Trust Fund: Financial Condition as of September 30, 1997.
GAO/RCED-98-171R, Apr. 24.

Civil Military Program: List of Fiscal Year 1997 Approved Projects.
GAO/NSIAD-98-159R, Apr. 24.

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Freedom From Government Competition Act. GAO/GGD/NSIAD-98-167R,
Apr. 27.

Results Act: EPA's Annual Performance Plan for Fiscal Year 1999.
GAO/RCED-98-166R, Apr. 28.

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Airport Financing: Projects Eligible for Federal Support That May Go
Unfunded. GAO/RCED-98-165R, Apr. 29.

Nuclear Regulatory Commission: Information on Potential Budgetary
Reductions for Fiscal Year 1999. GAO/RCED-98-157R, Apr. 30.

Charter Schools: Use of Start-Up Grant Funds. GAO/HEHS-98-150R, Apr. 30.

Internal Controls: Issues Regarding Automated Standard Application for
Payment System. GAO/AIMD-98-142R, Apr. 30.

SAS 70 Review: Treasury's Process for Distributing Net Tax Revenue to
the Various Federal Government Trust Funds. GAO/AIMD-98-80R, Apr. 30.

Internal Controls: Issues Regarding Disbursements. GAO/AIMD-98-144R,
Apr. 30.

Reports on Agency Rules

GAO's Office of the General Counsel regularly issues legal decisions and opinions, reports on major rules issued by federal agencies prior to their implementation, and decisions resolving bid protests. These documents are posted daily and may be downloaded from GAO's home page on the World Wide Web (<http://www.gao.gov>).

The following is a list of reports on agency rules issued by the Office of the General Counsel. In addition to being available on the World Wide Web, these documents may also be obtained by using the order form in the back of this publication. Bid protest decisions are not included in this list.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Schedule of Per-Beneficiary Limitations on Home Health Agency Costs for Cost Reporting Periods. GAO/OGC-98-44, Apr. 24.

Department of Health and Human Services, Health Resources and Services Administration: Organ Procurement and Transplantation Network. GAO/OGC-98-41, Apr. 17.

Department of Transportation, National Highway Traffic Safety Administration: Light Truck Average Fuel Economy Standard, Model Year 2000. GAO/OGC-98-42, Apr. 17.

Environmental Protection Agency: Emission Standards for Locomotives and Locomotive Engines. GAO/OGC-98-46, Apr. 29.

Environmental Protection Agency: National Emission Standards for Hazardous Air Pollutants for Source Category: Pulp and Paper Production; Effluent Limitations Guidelines, Pretreatment Standards, and New Source Performance Standards: Pulp, Paper, and Paperboard Category. GAO/OGC-98-45, Apr. 29.

Federal Communications Commission: Installment Payment Financing for Personal Communications Services (PCS) Licensees. GAO/OGC-98-43, Apr. 23.

Securities and Exchange Commission: Registration Form Used by Open-End Management Investment Companies and New Disclosure Option for Open-End Management Investment Companies; Final Rules. GAO/OGC-98-40, Apr. 3.

